

Federal Reserve System

§ 218.100

INTERPRETATIONS

§ 217.101 Premiums on deposits.

(a) Section 19(i) of the Federal Reserve Act and § 217.3 of Regulation Q prohibits a member bank from paying interest on a demand deposit. Premiums, whether in the form of merchandise, credit, or cash, given by a member bank to a depositor will be regarded as an advertising or promotional expense rather than a payment of interest if:

(1) The premium is given to a depositor only at the time of the opening of a new account or an addition to an existing account;

(2) No more than two premiums per account are given within a 12-month period; and

(3) The value of the premium or, in the case, of articles of merchandise, the total cost (including taxes, shipping, warehousing, packaging, and handling costs) does not exceed \$10 for deposits of less than \$5,000 or \$20 for deposits of \$5,000 or more.

The costs of premiums may not be averaged. The member bank should retain sufficient supporting documentation showing that the total cost of a premium, including shipping, warehousing, packaging, and handling costs, does not exceed the applicable \$10/\$20 limitations and that no portion of the total cost of any premium has been attributed to development, advertising, promotional, or other expenses. A member bank is not permitted directly or indirectly to solicit or promote deposits from customers on the basis that the funds will be divided into more than one account by the institution for the purpose of providing more than two premiums per deposit within a 12-month period.

(b) Notwithstanding paragraph (a) of this section, any premium that is not, directly or indirectly, related to or dependent on the balance in a demand deposit account and the duration of the account balance shall not be considered the payment of interest on a demand deposit account and shall not be subject to the limitations in paragraph (a) of this section.

[52 FR 47698, Dec. 16, 1987. Redesignated at 57 FR 43336, Sept. 21, 1992; 62 FR 26737, May 15, 1997]

PART 218—EXCEPTIONS FOR BANKS FROM THE DEFINITION OF BROKER IN THE SECURITIES EXCHANGE ACT OF 1934 (REGULATION R)

Sec.

218.100 Definition.

218.700 Defined terms relating to the networking exception from the definition of “broker.”

218.701 Exemption from the definition of “broker” for certain institutional referrals.

218.721 Defined terms relating to the trust and fiduciary activities exception from the definition of “broker.”

218.722 Exemption allowing banks to calculate trust and fiduciary compensation on a bank-wide basis.

218.723 Exemptions for special accounts, transferred accounts, foreign branches and a *de minimis* number of accounts.

218.740 Defined terms relating to the sweep accounts exception from the definition of “broker.”

218.741 Exemption for banks effecting transactions in money market funds.

218.760 Exemption from definition of “broker” for banks accepting orders to effect transactions in securities from or on behalf of custody accounts.

218.771 Exemption from the definition of “broker” for banks effecting transactions in securities issued pursuant to Regulation S.

218.772 Exemption from the definition of “broker” for banks engaging in securities lending transactions.

218.775 Exemption from the definition of “broker” for banks effecting certain excepted or exempted transactions in investment company securities.

218.776 Exemption from the definition of “broker” for banks effecting certain excepted or exempted transactions in a company’s securities for its employee benefit plans.

218.780 Exemption for banks from liability under section 29 of the Securities Exchange Act of 1934.

218.781 Exemption from the definition of “broker” for banks for a limited period of time.

AUTHORITY: 15 U.S.C. 78c(a)(4)(F).

SOURCE: Reg. R, 72 FR 56554, Oct. 3, 2007, unless otherwise noted.

§ 218.100 Definition.

For purposes of this part the following definition shall apply: *Act* means the Securities Exchange Act of 1934 (15 U.S.C. 78a *et seq.*).